NOVEMBER 14, 1966

LAFTA—AND LATIN AMERICAN INTEGRATION

FOREIGN MARKET FOR TOBACCO:—A NEW SERIES

AMERICAN WEEK IN DUTCH AND BELGIAN STORES

FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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End-of-aisle displays put U.S. foods in prominent positions during in-store promotions at 354 retail outlets in Belgium and the Netherlands recently. Story and more pictures, page 9.

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How LAFTA Is Contributing to Latin American Integration

Today the Latin American Free Trade Association functions as a partial free-trade area but it points the way to economic and in time perhaps to political integration.

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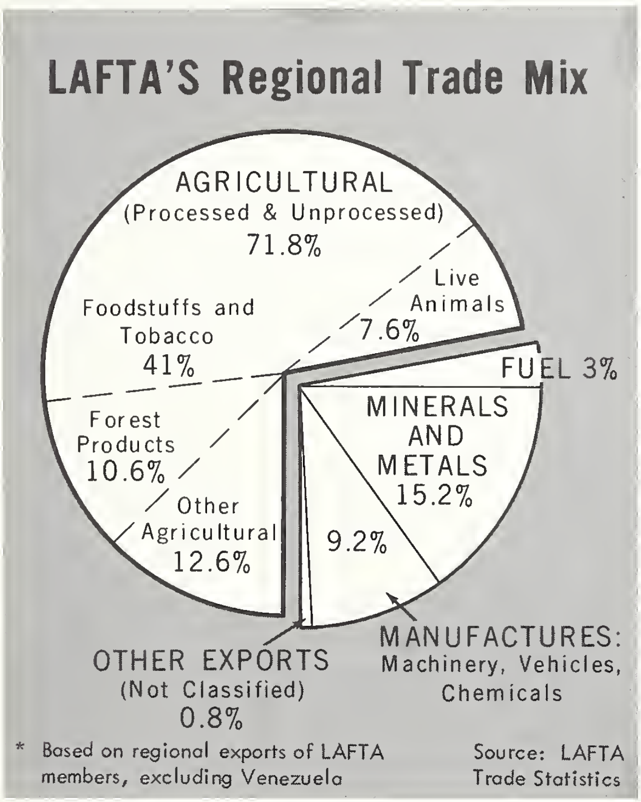


One of the most remarkable economic developments of the past 15 years has been the drive toward regional economic integration. The most notable examples, of course, have been among the developed economies of Europe, but the advantages of economic integration have not escaped the attention of the developing countries either. The final act of the United Nations Conference on Trade and Development (1964), for example, urges the developing nations to strive toward systems of regional economic integration "as a means of expanding their intra-regional and extra-regional trade and encouraging their economic growth and their industrial and agricultural diversification . . ."

The Latin American Free Trade Association (LAFTA), which was established when the Treaty of Montevideo entered into force in June 1961, represents the most ambitious attempt to date to establish a continent-wide area of free trade and economic cooperation among developing countries. With Venezuela's recent accession to the Treaty, LAFTA now includes 10 Latin American nations—Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Mexico, Uruguay, and Venezuela. Together they encompass 90 percent of the area, 85 percent of the population, and approximately 93 percent of the GNP of Latin America.

In practice LAFTA is today no more than a partially constituted free-trade area, with only 25 percent of its intraregional commerce on a free-trade basis. If it were no more than this, LAFTA would not be very significant; but its importance lies in the fact that it was conceived of, not as an end in itself, but as a vehicle toward a comprehensive economic—and maybe one day, political—union of all of Latin America. While this concept was only a vague one in the minds of the drafters of the Treaty of Montevideo, the eventual formation of a Latin American Common Market has become a central issue during the last 18 months.

Progress is mixed

The progress of LAFTA is of special interest because in a large measure it is testing whether economic integration is possible on such a large scale, especially among developing nations where there are so very many obstacles in its way. It is of further interest because the direction that the integration movement takes in Latin America will have a direct bearing on Western Hemisphere trade.

As far as fulfilling the letter and achieving the goals of the Treaty are concerned, progress in LAFTA has been mixed.

In the first years of its existence, LAFTA appeared to be progressing dynamically toward the Treaty goal of free trade by 1973. The number of tariff reductions negotiated during the first rounds was impressive (though deceiving), and intraregional trade increased in excess of 30 percent a year. In addition, a fund for the financing of intra-LAFTA exports of capital goods was established within the Inter-American Development Bank (IDB), two agreements were signed for industrial complementation, and LAFTA central banks agreed to a series of bilateral payments agreements as a first step toward a regionally integrated payments mechanism.

By the end of 1964, however, it became apparent that the process was losing momentum. The long tally of tariff reductions had been possible because they had followed the path of least resistance; they had made concessions on commodities which seldom entered into regional trade. The expansion in regional trade was also to be viewed with caution, as a closer examination showed little more than an increase in traditional commodity trade such as would normally follow a rapid population growth and a rise in national income. Little diversification had taken place, and the regional trade mix remained basically the same.

The machinery provided by the Montevideo Treaty was not up to the ambitious task of integrating the LAFTA area. In contrast to the situation in Europe prior to

the establishment of the European Economic Community, the question in Latin America is not one of removing barriers that obstruct natural and traditional trade patterns. Traditionally, Latin American trade has always been aimed outward—exporting primary products to industrialized nations in exchange for their manufactured goods. The outward-looking character of its infrastructure (lines of transportation, communication, credit, financing, and such) as well as the difficult geography of the South American continent has always made it easier for a Latin American country to trade with North America and Europe than with its Latin neighbors. This explains why the granting of concessions within LAFTA has not resulted in a very spectacular growth of intraregional trade.

PROGRESS OF LAFTA'S INTRAREGIONAL EXPORTS

Year	Among LAFTA countries		To all markets		Exports within LAFTA as percent of total
	Unit	Index	Unit	Index	
	Mil. U.S. dol.[1]	*1960=100*	*Mil. U.S. dol.*	*1960=100*	*Percent*
1960	340.1	100	4,733.5	100	7.2
1961	298.7	88	4,909.1	104	6.1
1962	354.3	104	5,175.4	109	6.8
1963	425.2	125	5,464.6	115	7.8
1964	557.6	164	5,880.7	124	9.5
1965	634.9	187	6,391.3	135	9.9

[1] F.o.b.
Bank of London and South America.

A new phase begins

Recognizing this problem of trade creation and the fact that the Treaty of Montevideo is not sufficient to give the push that is needed, a new phase in the process of economic integration began in 1965 on the initiative of several Latin American political and economic leaders.

In response to an open letter from President Frei of Chile, four outstanding economists of the Inter-American economic agencies prepared a report which recommended that renewed efforts toward integration on a broader and bolder scale be launched. In particular, these and other proposals have made clear the necessity to concentrate more than formerly on the prerequisites of freely flowing trade: The "infrastructures" of finance and credit, transportation and communication, monetary stability, and taxation policies.

Above all, a "Latin American frame of mind" must be developed which will encourage Latin Americans to think in terms of regional markets and regionally coordinated investments and planning.

Improving transport and communication links

The free flow of goods within Latin America has for centuries been severely hindered by forbidding deserts, mountains, and jungles. Thus, to speed economic integration, the LAFTA countries have embarked upon a program to overcome these natural barriers and to integrate existing transport and communication networks.

In May of this year a Transport and Communications Commission was established within LAFTA, which has led to a maritime transport agreement. With the help of IDB financing, new international roads are being built, such as the Chile-Argentine Trans-Andine Highway, the "Forest Fringe" Highway between Colombia and Bolivia through the Peruvian "selva," and the unfinished sections of the Pan-American Highway. Multilateral projects concerning river transport system and power grids are also being given high priority within the LAFTA area.

Finance and credit

It is easily seen that further expansion of regional trade is dependent upon an effectively operating system of multilateral payments. Yet progress toward a payments system has been slow, and its lack has had detrimental effects on LAFTA trade. In 1965 balance of payments difficulties and monetary crises forced three LAFTA countries to severely restrict their imports, having recourse to the safeguard clauses of the Treaty.

As long as trade balances must be settled in dollars and other "hard" currencies, which are very scarce in most LAFTA members' treasuries, expansion of regional trade will be curtailed. Consequently, the need for reciprocal credit and multilateral payments settlement has been recognized, and preliminary steps have been taken toward the establishment of a LAFTA clearance house for multilateral payments settlement, for which the Central Bank of Peru will act as agent. As yet this system is more theoretical than practical.

More significant progress has been made in the field of financing of regional integration. The Inter-American Development Bank has assumed the role of the "Bank of Latin American Economic Integration." Through its newly established "Preinvestment Fund" the IDB provides funds for the financing of preinvestment studies aimed at determining where regionally integrated industries or projects will be most profitable and will contribute most to the end goal of integration. In this way the Bank performs a very useful double function of providing funds and encouraging regional coordination of investment.

Regional spirit developing

The interest in regional projects is characteristic of the recent effort to go beyond mere trade liberalization in LAFTA. The Treaty of Montevideo provided for "complementation agreements," a system by which several member countries would agree to establish complementary industries rather than competing ones. In practice, only a few such agreements have come into force, and those deal with very specialized and rather peripheral industries, such as data-processing equipment.

In contrast, the new LAFTA approach has focused on the idea of integrating a few of the basic industrial sectors of central importance to Latin America's development, such as the production of chemical fertilizers and agricultural machinery, automobiles, and industrial machinery. However, little has been accomplished yet beyond some bilateral arrangements, such as the recent Argentine-Chile agreement establishing free trade and industrial complementation in automobile parts.

Further indication of a growing regional spirit is the appearance of interregional chambers of commerce, as between Colombia and Venezuela, and regional interest groups and industrial associations, such as the Latin American Association of Shipowners or the Latin American Association of Industrialists.

Just as the European Common Market has found agriculture the hardest to integrate, so in LAFTA the position of agriculture is particularly difficult. Even though the

great majority of Latin Americans are employed in agriculture, and the export economies of most of the LAFTA countries depend on agricultural products, the process of economic integration has shied away from agriculture.

The Treaty of Montevideo makes only slight references to agriculture, saying that the parties shall "seek to coordinate their agricultural development and agricultural commodity trade policies." As long as they do not encourage "anti-economic production" or cause a lowering of customary consumption, LAFTA members can limit their agricultural imports to the amount needed to meet a deficit in domestic production.

Special preference is to be given to imports from other LAFTA members before imports from third countries, such as the United States, are allowed. Meanwhile, the Treaty also contains an "escape clause" whereby a member country can impose trade restrictions in order to protect a weak sector of its economy. Since agriculture is unquestionally a weak sector in most of the countries, this clause has in fact been used to prevent any significant liberalization of agricultural trade—with a few exceptions. The principal exceptions, for which LAFTA preferences have resulted in an expansion in zonal trade, have been Argentine cattle, beef, and wheat; Brazilian cocoa and sugar; Peruvian fishmeal; and Mexican and Peruvian cotton —with a corresponding effect on U.S. cotton and wheat exports to the region.

U.S. agricultural exports to Latin America totaled $510 million in 1965. Of this 66 percent went to the LAFTA countries and Venezuela. The principal agricultural commodities exported by the United States to this area include wheat and wheat flour, animal products (especially dairy products), and vegetable fats and oils.

In recent years these exports to LAFTA have remained at a low level which fluctuates between 4 percent and 5 percent of total U.S. agricultural exports. This may not result from discrimination on the part of LAFTA as much as from economic weakness of the Latin American markets. LAFTA's import-substitution policy could act against U.S. exports, particularly in the short run. On the other hand, the effect of a successful common market will be to raise the general economic level of the area, and in turn, expand the market for agricultural products, as rising income levels, expanding population, and greater industrialization combine to produce an increasing demand.

The future of LAFTA

The Treaty of Montevideo expires in 1973, so LAFTA's days are numbered—LAFTA as it is known today, that is. But the integration movement in Latin America appears to be here to stay, and those who criticize the Association often stress the need to expand and strengthen it, not to abolish it. In fact, it has been pointed out that the surest sign of stagnation would be Latin America's acceptance of LAFTA's permanence, since it was designed as only one of many steps leading to an eventual common market. Still lacking from the Latin American integration movement, however, is a timetable for this process. Thus, while the future direction of LAFTA can be discerned, the details of its evolution remain to be seen.

The Dairy Surplus Problem Has Changed Hemispheres

The world dairy supply situation has changed drastically over the past 2 or 3 years. On the one hand is the near elimination of surplus stocks in the United States. On the other is the sharp rise in production of the European Economic Community (EEC), largely as a result of its acceptance of a Common Agricultural Policy for dairy products.

These two factors are not related, but their net effect has been a shift in surplus milk production from North America to Western Europe—principally the EEC. Prior to 1965, it was the United States that spent, on the average, $350 million annually to remove surplus milk from the domestic market. It is now estimated that the EEC will be spending $500 million-$700 million annually on dairy price support programs. Most of this total outlay will be for surplus disposal, principally of butter.

Milk production still increasing

Milk production in the major free-world producing countries, except North America, continues to increase. In 1965, it totaled around 424 billion pounds, up about 1 percent from 1964. Preliminary reports indicate that it will rise again this year—by about a billion pounds.

Of the 1965 milk production, 235 billion pounds were produced in Western Europe for a gain of nearly 3 percent over 1964. More than half of this came from the EEC countries—the Netherlands, France, Belgium, Luxembourg, Italy, and West Germany—with these six countries registering the largest gains. France and West Germany were the biggest producers in the EEC, accounting for most of the 3-percent increase among the six. The United Kingdom and Ireland had the largest gains outside the EEC.

Factors behind this advance are availability of ample roughage and generally favorable producer prices. In the EEC this latter factor is the result of adjustments underway so that a common internal milk price of $4.42 per 100 pounds will apply within all EEC countries by April 1968. Currently, producer target prices in France and the Netherlands are $4.11 and $4.21 per hundred pounds, compared with $3.86 and $4.02, respectively, during the previous marketing year.

In Oceania—New Zealand and Australia—milk output is running slightly above last year, when production totaled nearly 29 billion pounds. New Zealand's output is headed for another record of around 14 billion pounds. Australia is still recovering from the 1965 drought, and its production will most likely remain below the 1964 record.

In North America, on the other hand, production continues substantially below the 1965 level.

Surplus milk production, of course, leads to increased manufacture of the principal dairy products—butter, cheese, and nonfat dry milk—and this is occurring in Western Europe. There, production of butter and nonfat dry milk reached 1965 records of 3.9 billion and 1.9 billion pounds, up about 5 and 42 percent, respectively, from 1964. Cheese production rose nearly 5 percent.

This article summarizes a speech by DAVID R. STROBEL, Director of FAS's Dairy and Poultry Division, before the Milk Industry Foundation-International Association of Ice Cream Manufacturers.

More records are in sight for 1966 production of butter and nonfat dry milk in Western Europe, with the EEC accounting for the bulk of the gain. Cheese production is expected to rise moderately.

Butter stocks at new high

Butter stocks in 13 West European dairy countries are currently at record levels. At midyear, stocks totaled 590 million pounds, compared with 542 million a year earlier. Nearly 60 percent of the total holdings are in the EEC, principally France and West Germany.

Based on average 1962-64 butter stocks, there was a West European butter surplus in mid-1966 of about 200 million pounds. This buildup has prompted the EEC to adopt various schemes to reduce its stocks. Some have been aimed at the home market, while others have been directed to export markets.

In June of this year the EEC Commission authorized West Germany to sell 93 million pounds of cold-storage butter on its domestic market at lowered prices. In issuing its authorization, the Commission pointed out that the authorized price reduction of about 11 cents a pound was expected to increase butter consumption and reduce stocks.

Similar previous authorizations led to the sale of sizable quantities of storage butter at reduced prices within the EEC between May 1965 and February 1966. EEC Commission approval for this type of activity means that the authorized country can draw on an EEC fund to subsidize product prices.

This action has encouraged domestic consumption but not enough to offset increased production, and stocks in the EEC have continued to rise.

At least one country in the Community has been placing its surplus butter stock on the consumer market at a reduced price as a reprocessed product labeled "melted butter," with the hope that consumers will buy this cheaper product for cooking and buy fresh butter for table use. According to reports, consumers have been using the cheaper butter product for all purposes, while butter of current manufacture has been going into storage with no net stock reduction occurring.

In addition to subsidizing domestic consumption of storage butter, the EEC uses export subsidies at levels as high as two-thirds of the domestic wholesale price. During the first half of 1966, some EEC countries offered butter delivered to various parts of the world at prices of around 25 cents per pound.

Shift in nonfat production

Total production of nonfat dry milk by the major free-world producers and exporters amounted to 3.3 billion pounds in 1961. The United States accounted for 62 percent of this, and Western Europe, for 25 percent. By 1965, output had reached 4.4 billion pounds, with a significant change in the production patterns. The U.S. share had fallen to 45 percent, while Western Europe's had increased to 42 percent. Assuming a continuation of present trends, West European production will exceed that of the United States in 1966. In fact, output in the EEC alone may equal, if not surpass, U.S. output.

Between 1962 and 1964, West European production of nonfat dry milk rose at an annual rate of about 150 million pounds. In 1965, the gain totaled over 550 million pounds, or 40 percent. Nearly 75 percent of the large 1964-65 increase took place within the EEC, with the biggest jump in France and West Germany.

The immediate effect of this production change has been an equally sharp drop in Western Europe's imports of nonfat dry milk. Imports fell from a 1964 level of 660 million pounds—principally from the United States—to slightly over 300 million in 1965, and net imports in 1966 are expected to be less than half those of 1965. Also, France, with its large production, will be placing nonfat dry milk into export whenever there is a price advantage and as a hedge against changes in the EEC supply-demand situation for dry milk.

Still, a great jump in Western Europe's nonfat exports has not occurred. Reason for this is the rapid expansion over the last 3 years in EEC production and feeding of veal calves. A key factor in this expansion was the acceptance of a milk replacer ration—the main component of which is nonfat dry milk—as an economical and satisfactory way to produce the light-colored veal that Europeans regard so highly.

Looking to other areas, Australian production of nonfat dry milk has shown no significant changes, but that in New Zealand has risen sharply. Production in Oceania during 1966 is expected to total about 300 million pounds, with New Zealand accounting for two-thirds of the total. Production of nonfat dry milk has decreased in the United States but increased in Canada. Canadian output is expected to rise by another 20 million pounds in calendar 1966. Canada's larger output of nonfat dry milk—in the face of reduced total milk production, reduced manufacture of butter, and a slight rise in casein output—indicates that a larger proportion of the fluid skim milk is moving to drying plants.

Search on for new outlets

The overall effect of all these changes is that free-world exporters of dairy products are meeting stiffer competition in their traditional markets.

For butter, the United Kingdom is far the largest commercial market, taking nearly three-fourths of the 1.3 billion pounds of butter entering world export trade in 1965; these purchases came mainly from New Zealand, Australia, and Denmark. The importance of this market will continue to increase as takings by the EEC decline further. Also important as outlets are Peru, Chile, Malaysia, and the Republic of South Africa

For nonfat dry milk, world commercial exports totaled about a billion pounds in 1965. The United Kingdom has been, and will continue to be, the major market—although in the first 6 months of 1966 it took only 26 million pounds compared with 66 million a year earlier. Most of this comes from New Zealand, which until this year sent about half of its usual 150-million-pound export to the United Kingdom. Outside of Europe, the Philippines and Mexico are important outlets.

In the immediate future, surpluses of dairy products beyond the commercial needs of the present markets will exist with the traditional exporters seeking to sell more products commercially outside of the traditional commercial markets in the developed countries. Of the new commercial markets, Japan is one of the brightest appearing on the horizon. New Zealand and many other exporters are working diligently to become established there.

The FOREIGN MARKET for U.S. TOBACCO

American tobacco exporters face a banner year, but changes in EEC tariffs and Rhodesia's politics could shift patterns of next year's trade.

A good year is in prospect for U.S. tobacco exports. For fiscal 1967, exports are expected to rise to about 560 million pounds (export weight)—up nearly one-fifth from the 472 million shipped abroad in the year ended June 30, 1966. If the gain occurs as anticipated, the U.S. tobacco export industry will enjoy its best year since fiscal 1956, when importers took 578 million pounds.

The larger expected export trade is coming at a propitious moment. Use of tobaccos by domestic manufacturers has not kept pace with rising output of products—mainly because of greater production of filter-tipped cigarettes (which require less tobacco per unit) and larger factory consumption of reconstituted sheet made from tobaccos formerly discarded in manufacturing.

It is likely that the total value of exports of unmanufactured tobacco and tobacco products in 1966-67 will be near $600 million. An export value of this magnitude will be an important contribution to the balance of payments, since most of it consists of sales for dollars, rather than government-financed programs.

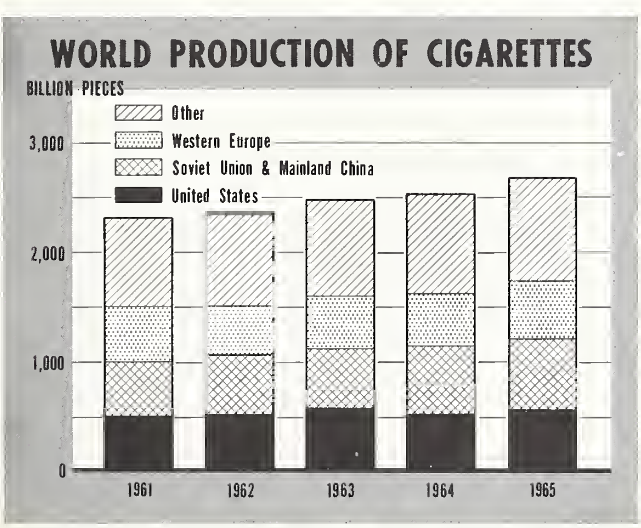
In 1965-66, exports were smaller than expected at the beginning of the year. A slowup occurred toward the end of the fiscal year, at a time when provisions for an expanded export payment program were being worked out. This appears to have reduced shipments considerably below those of a similar period a year earlier.

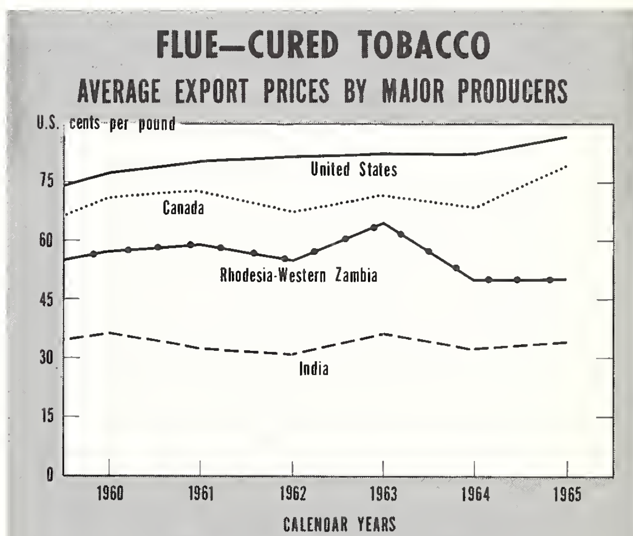
Several developments are presently working together to give a substantial boost to this year's exports. These factors include a larger, better-quality U.S. flue-cured harvest, increasing world cigarette output, continued sanctions on Rhodesian tobacco trade, and the broadened U.S. export payment program.

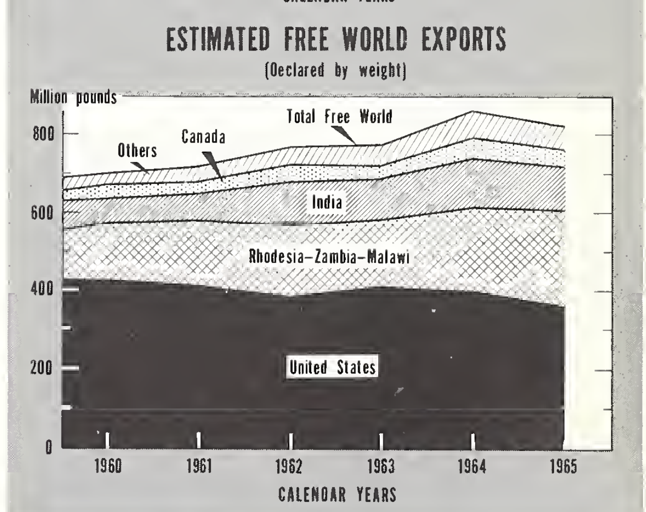
Quality improvement pays off

The 1966 crop of flue-cured is considered to be of excellent quality, and is somewhat larger than the 1965 harvest. Dramatic improvement in the quality of the current crop—as compared with crops of a few years back—is reflected in strong demand by both domestic and foreign buyers. Representatives of foreign manufacturers have been lavish in their praise of the 1966 crop's quality. Auction prices have been well above last year's.

The acreage-poundage program for flue-cured tobacco, first placed into effect on 1965 productions, is credited in large measure with quality improvement and reduction in surplus stocks. This program limits both the grower's planted acreage and the quantity he may market. It strongly encourages tobacco farmers to produce quality leaf, it is paying off handsomely, and it assures foreign customers that the United States is a reliable source of supply for their tobacco requirements. If U.S. flue-cured growers in the years ahead continue to place emphasis on quality, this will be an important factor in regaining and expanding their foreign markets.







Cigarette output up 6 percent

The trend in cigarette manufacture abroad is an important factor affecting trade in tobacco. The United States, as the world's largest tobacco exporter, has a keen interest in this trend. About 90 percent of U.S. tobacco exports consist of tobaccos used primarily in cigarettes.

Last year world cigarette output rose about 6 percent to 2,682 billion pieces from 2,526 billion in 1964. The gain, on both a volume and percentage basis, was the largest in almost a decade and occurred despite considerable publicity concerning the health controversy over smoking. Gains are continuing this year in many countries important as tobacco markets.

It now appears likely that previous estimates placing world cigarette output at 3,000 billion in 1975 will be reached in 1970. A larger proportion of the increase will be light cigarettes made from flue-cured, light air-cured and oriental tobaccos. U.S. cigarette tobaccos should benefit from the expanded world trade needed to provide manufacturers with the leaf tobaccos they desire.

But optimism about the future must be tempered with realism. Many of the biggest gains in cigarette output are in countries and areas which are largely self-sufficient in tobacco, or import only a small part of their needs. Also, there are significant changes in manufacturing techniques to consider. Steadily rising output of filter-tipped cigarettes and better utilization of supplies allow production of a larger volume of cigarettes from a given quantity of raw material. In other words, the amount of tobacco required to manufacture 1,000 cigarettes is considerably below that of a few years ago. This trend is expected to continue, thus reducing world requirements of tobacco below what would be expected in the absence of these new techniques.

In West Germany, Japan, Australia, the Netherlands, Ireland, and many other important markets for U.S. tobacco, there is a steady gain in output of filter-tipped cigarettes. West Germany's production of filter tips in 1965 accounted for 82 percent of the total, compared with 80 percent in 1964 and 78 percent in 1963. In Japan, whose purchases of U.S. tobacco are rising steadily, filters represented 43 percent of total cigarette output in 1965, against 25 percent in 1964 and 17 percent in 1963. Other countries where filter tips now exceed 70 percent of total output include Egypt, the Republic of South Africa, Australia, Switzerland, and Finland. All of these countries, except South Africa, are sizable markets for U.S. tobacco. Future demand for U.S. leaf in these countries will be affected by this rising trend in the output of filter tips.

Complex Rhodesian situation

The Rhodesian political situation continues to be an important factor affecting the pattern of foreign trade in tobacco. Economic sanctions placed on Rhodesian trade by most major tobacco importing countries probably eliminated at least 80 percent of Rhodesian tobacco from the world market. The banning of Rhodesian tobacco by big importers such as the United Kingdom, Japan, and West Germany has important implications for the United States, as well as for Canada, India, and other producers of flue-cured leaf.

Very little information is available on Rhodesia's success in disposing of its 1966 crop in commercial channels. The crop's volume is not known, but unofficial estimates have placed it as large as 250 million pounds. The crop was sold behind closed doors and in complete secrecy. It is likely that no more than one-fourth of the crop was sold commercially, with the remainder going into the inventory of the tobacco corporation set up by the government to handle marketings.

In mid-July, a flue-cured production goal of 200 million pounds for the 1967 harvest was announced by the Rhodesian Minister of Agriculture. The government, through the tobacco corporation, would continue to guarantee prices providing an average return per pound of 28 pence (33 U.S. cents). In view of the current situation the production goal appears excessive. If the political crisis in Rhodesia is not settled soon, Rhodesia will have a large surplus on hand from the 1966 crop, and will have to finance from its depleted treasury the marketings of a large part of the 1967 crop.

Restrictions on imports from Rhodesia do not appear as yet to have had any significant impact on exports from competing countries. Most importers had built up large stocks of Rhodesian leaf from the 1964 and 1965 crops, and there was always the possibility that the political crisis in Rhodesia would be settled overnight. This has not happened. Unless the situation is resolved within a few months, however, there will be a significant, buoyant effect on flue-cured exports from other producers.

U. S. exports of unmanufactured tobacco have been fairly stable over the past 10 years or so. The U.S. export trade has not shared in the growing world market for tobacco, one reason being that prices of U.S. leaf have been relatively higher than prices of competitive leaf.

U.S. export payment program

The U.S. Department of Agriculture recently announced a broadened tobacco export payment program to extend export payments of 5 cents per pound to most kinds of tobacco in an effort to regain and expand foreign markets. The broadened program, which became effective July 6, 1966, applies to all crops of the kinds of U.S.-produced tobacco on which price support is offered for the 1966 crop. Previously, export rebates of 5 cents per pound had been offered for selected old crops of flue-cured, fire-cured, and dark air-cured tobacco. Therefore, on some old-crop tobaccos, the present rebate totals 10 cents per pound. It is believed that this expanded program will materially assist the U.S. trade to regain and expand its foreign markets.

U.S. leaf tobacco has a big stake in European Economic Community tariff developments. This area is the largest single tobacco market in the world for U.S. tobacco. In 1965, the United States exported 151 million pounds of tobacco to the EEC—only 16 million pounds above the 1957 level. This compares with a total increase in the area's tobacco imports of 232 million pounds between 1957 and 1965. The U.S. share of EEC imports dropped from 31 percent in 1957 to about 25 percent in 1965.

All segments of the U.S. trade are closely watching developments with respect to tariff negotiations now being conducted with the Common Market. In order to gain better access to the Common Market area, it is hoped that the common external tariff, which will apply to imports of U.S. leaf, will be set at a low specific level or, better still, eliminated completely.

"America Week" Sales Draw Crowds of Belgian and Dutch Consumers

"Record crowds," "well above expectation," and "additional weekend business" were among comments by officials of the three chain and department store groups that held American food promotions throughout Belgium and the Netherlands last month. Although the true impact of the campaign hangs on future sales, these initial reactions are an optimistic prelude for similar promotions opening tomorrow at 3,000 Koch & Mann GmbH stores in West Germany.

Belgium's Delhaize Frères et Cie. LeLion, a chain of 29 supermarkets, reports complete sellouts of a number of items. Normal inventory of about 300 U.S. brands was supplemented with such newcomers as beef, dates, concentrated orange juice, sauce mixes, condiments, and relishes, some of which sold within 4 hours and promise to command permanent shelf space. The 322 Albert Heijn NV food stores in the Netherlands advertised "USA at A.H." in a special edition of the chain's newspaper—circulation 1.5 million—and featured everything from soups and salad dressings to cake mixes and catfood. Also in the Netherlands, NV Magasijn de Bijenkorf invited customers to "Manhattan in De Bijenkorf," a joint venture of USDA and the Department of Commerce. Among some 65 U.S. brands featured in the food shops of the company's three department stores, brisk sellers were cocktail mixes and nuts, honey, chicken loaf, and turkey roll.

Right, fisherwoman hears about U.S. honey from U.S. Agricultural Attaché Louis M. Smith, Jr., at a De Bijenkorf food shop.

Above and right, American flags, shopping bags, and free samples proclaimed U.S. food promotion both inside and outside the 29 Delhaize supermarkets.

Below right, Dr. Smith with De Bijenkorf marketing assistant Miss M. Micsky and Assistant Attaché Koy Neeley at food display; left, a scene repeated 322 times in stores of the Albert Heijn chain.

New Promotion of California Canned Peaches Underway in West Germany

The Cling Peach Advisory Board, an FAS cooperator, has begun its 1966-67 marketing season promotion of canned peaches in West Germany with something special—a 4-week campaign aimed at the German housewife, emphasizing dishes that combine peaches with cream cheese. CPAB, which represents all California cling peach growers and canners, is teaming up with Kraft Foods in this parallel-action program.

Two-part campaign

The campaign—started early this month—is being carried out in two major thrusts—full-page, 4-color advertisements in leading women's magazines and tie-in promotions in some 40,000 stores nationwide.

Ads show finished dishes, give recipes, and suggest ways to serve. Store promotions are built around gondola or stack displays of California brands of canned cling peaches. Fifty food demonstrators are working in the larger stores throughout the campaign. Half a million 8-page recipe folders are being distributed in connection with the store promotions.

Trade alerted

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A promising market

West Germany has been a growing market for U.S. canned peach exports for the past 10 years, particularly since trade liberalization in the late 1950's. In the past marketing season —1965-66—Germany took about 42 percent of the total canned peach exports of the U.S., which are practically all California clings.

These 1965-66 German imports amounted to nearly 2,182,000 cases (24 No. 2½ cans to a case), only slightly less than the near record imports from the U.S. the year before. The high export level was sustained in spite of a definite shortage of canned peaches for export from the U.S. during the second part of the marketing year.

For U.S.-pack fruit cocktail—all of which is canned in California—West Germany is the number three export market, but catching up fast to the leaders, the United Kingdom and Canada. West German imports of U.S. fruit cocktail reached a record half a million cases in 1964-65, more than double those of the previous year. They were high again in 1965-66, amounting to 520,000 cases.

For both canned peaches and fruit cocktail, the United States continues to be West Germany's major export supplier. However, competition has been increasing in recent years—mostly from South Africa and Australia, and to some extent from Italy and France.

The present relatively low per capita consumption of both canned peaches and fruit cocktail in West Germany and the improving economic situation there suggest that market promotion should be worthwhile for some years in the future.

Other European promotions

Other present activities of CPAB in Europe include a major promotion of fruit cocktail in the United Kingdom and modest trial promotions of both peaches and fruit cocktail in Denmark, Sweden, the Netherlands, and Belgium. The U.K. and Denmark promotions are being conducted in cooperation with FAS. CPAB's fruit cocktail promotion and advertising in Europe is also supported by California growers of pears for canning.

Store poster being used in West German campaign to promote sales of California peaches and cream cheese.

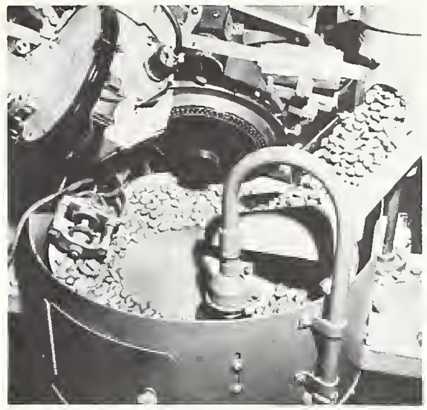
The program in the United Kingdom, No. 1 export market for California canned fruit cocktail, emphasizes brand-oriented in-store merchandising plus some generic advertising to consumers in major magazines. The biggest problem affecting marketing of this product in the U.K. is competition from other producing areas. These competitors, particularly Australia, are conducting strong promotions and enjoy preferential access to the market in the United Kingdom.

Paris Hotel Stars U.S. Beef

U.S. beef promotion at the 9-day International Food Fair (Salon International de l'Alimentation) being held in Paris through November 21 is getting two assists from the Paris Hilton. A chef from the hotel staff is demonstrating steak cookery at the fair. And one of the hotel's eating places, Le Western steakhouse, has added a menu feature that ties in with the demonstration at the fair.

The steakhouse, which operates at full capacity and has a clientele over 60 percent French, regularly imports precut, chilled steaks in 1-ton lots airflown from the United States. Standard items on its bill of fare are U.S. boneless sirloin, porterhouse, and T-bone steaks and roast prime ribs of beef, also imported by air.

Presidential "E" Goes to California Almond Exchange for Building Good Markets Abroad



Clockwise from top left, electric eye removes damaged almonds; wind tower to circulate cold air that could settle and kill trees; CAGE plant in Sacramento.

The California Almond Growers Exchange, handling more than 70 percent of the almonds produced in the United States, received a Presidential "E" Award last week for its part in establishing a substantial foreign market for U.S. almonds in the face of stiff competition.

From 1962 to 1965, U.S. exports of almonds rose from 10.6 million pounds to an estimated 24 million. CAGE alone exported about 17.3 million pounds last year.

Prior to 1951, only limited tonnages of almonds were exported, with Canada and Mexico sole markets. That year, however, production in California began to expand to the point where new outlets had to be found. Following a survey of world markets CAGE established an intensive export-development program, with Western Europe the prime target.

Competition from the Mediterranean

This target market was a tough one to crack, as buyers there were long accustomed to almonds from Italy, Spain, and other Mediterranean producers. These countries of course have a natural geographical advantage over California since their almonds are at most a week away from north European buyers as opposed to the 5- to 6-week shipping time required to deliver almonds from the United States. With the advent of the European Economic Community, an ad valorem duty favoring Italian almonds —which presently stands at 4.1 percent—increased the challenge.

But CAGE pushed ahead, appointing and training brokers in each of the major distribution markets in Europe. The geographical disadvantage was overcome to a great extent by the United States ability to maintain superior quality and price stability.

New shapes, new products

California almonds have had success in Europe despite competition largely because they have supplemented—rather than replaced—supplies from the Mediterranean.

For instance, CAGE has introduced to Europeans almonds in new forms —sliced, blanched, slivered, and diced —and developed substantial markets for Smokehouse Cocktail and Garlic-Onion Almonds—products unique with CAGE. In the 1964 crop year foreign sales of these two processed products amounted to over $540,000; in the first 6 months of the 1965 crop year sales exceeded $550,000.

U.S. nuts superior for cooking

Sales mileage has also been made with confectionery manufacturers. In many European countries, notably Germany and Scandinavia, a large part of the almonds imported are used to make almond paste or marzipan confections. However, manufacturers, used to the more bitter Mediterranean varieties, were reluctant to use California almonds because it would mean a change in their basic formulas.

CAGE showed the manufacturers how sweet almonds could be combined with the bitter almonds or bitter-almond flavoring with good results, and won over many new customers. Also pointed out to the manufacturers was the economic edge California almonds have over Mediterranean nuts, because the U.S. almonds have thinner skins and shrink less in processing.

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In Australia — where importers bought nearly 1 million pounds of shelled California almonds in crop year 1964 — Smokehouse Cocktail and Onion-Garlic Almonds are being packed under private label for the largest nut distributor on that continent. Each year since 1961 these products have shown a substantial sales increase in Australia.

With export sales three times as large as they were 3 years ago. CAGE now finds it will need to redouble its daily production capacity of approximately half a million pounds of shelled almonds to meet the needs of the next 5 years.

New Promotion of California Canned Peaches Underway in West Germany

The Cling Peach Advisory Board, an FAS cooperator, has begun its 1966-67 marketing season promotion of canned peaches in West Germany with something special—a 4-week campaign aimed at the German housewife, emphasizing dishes that combine peaches with cream cheese. CPAB, which represents all California cling peach growers and canners, is teaming up with Kraft Foods in this parallel-action program.

Two-part campaign

The campaign—started early this month—is being carried out in two major thrusts—full-page, 4-color advertisements in leading women's magazines and tie-in promotions in some 40,000 stores nationwide.

Ads show finished dishes, give recipes, and suggest ways to serve. Store promotions are built around gondola or stack displays of California brands of canned cling peaches. Fifty food demonstrators are working in the larger stores throughout the campaign. Half a million 8-page recipe folders are being distributed in connection with the store promotions.

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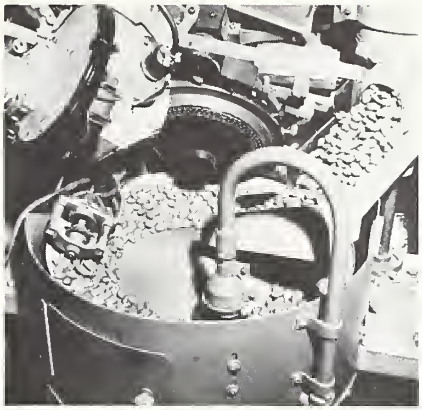

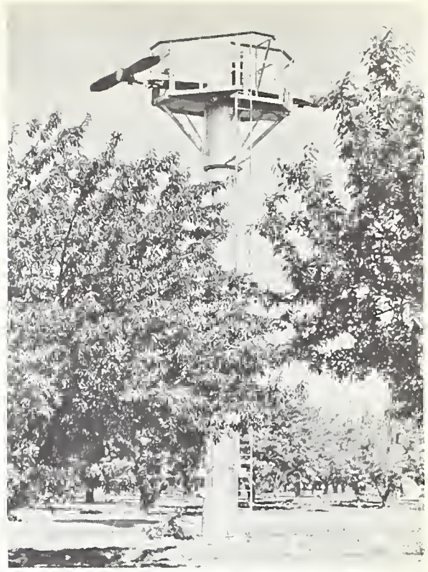

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Carving Demonstrations Help Raise U.S. Turkey Sales to Italy

Italian chefs watch intently as Emilio Zannini, also a chef and one of Italy's best, shows how to carve an American turkey at a recent demonstration in Rome.

Emilio Zannini is one of Italy's foremost chefs. He also demonstrates on occasion the art of carving an American turkey. His magic with a knife has been a popular feature of the program carried on by the Institute of American Poultry Industries, in cooperation with FAS, to develop a market for poultry in Italy.

Signor Zannini makes turkey carving look like child's play. With a few deft cuts he separates flesh from bone. At a recent demonstration in Rome he showed other chefs how one large turkey can yield many profit-making dishes for their restaurants and hotel dining rooms. He also has given demonstrations before institutional buyers and managers. Religious institutions in particular—such as monasteries, convents, orphanages — are finding that American turkeys not only add a festive air to regular and holiday meals but also are a relatively inexpensive meat.

A survey last October 1 showed that U.S. whole turkeys sold at retail in Rome for 79 cents a pound. That compared with $1.86 for top-grade veal and $1.51 for sirloin steak.

Total poultry consumption in Italy, though still relatively low, is showing a healthy growth—moving up from 8.2 pounds per capita in 1960 to 16.1 pounds in 1965. Turkey imports from the U.S. are contributing to the expanded use. Between 1960 and 1965 Italy's imports of U.S. turkey meat have risen from none to 3.9 million pounds, valued at $1.5 million.

The trend is still steeply upward. One firm alone has purchased 4 million pounds of U.S. turkeys so far this year. About 60 percent of this firm's imports are turkey parts, mainly breasts; the remainder are primarily whole turkeys and precooked rolls.

During the past 2 months one firm has received eight containerized van shipments of U.S. turkeys, five of them in the first week of October. Containerized shipments are being received in excellent condition. Importers like containerization and plan to use it to an increasing extent in the future. Although freight rates are higher than for conventional shipping methods, the overall cost is believed to be "in line" because the containers eliminate pilferage and assure the product's arrival in good condition.

"Golden American Peas" Introduced in Japanese Stores

Starting this month, housewives in major Japanese cities are finding a new food on their grocery shelves—canned U.S.-grown peas.

These "Golden American Peas"—quality dry peas grown in the United States and reconstituted and canned in Japan — are being introduced through a vigorous 9-month-long promotion program. The program includes festive store displays, demonstrations, distribution of recipe booklets, advertising on TV and in newspapers, couponing, and mailing of samples to schools.

This dry pea promotion is a cooperative effort of the USA Dry Pea and Lentil Council, FAS, and the Nichiro-Heinz, Ltd., of Japan.

"Canned dry peas are a product almost sure to be a winner in Japan," believes Joe Spiruta, marketing director for the UDPLC. Points in their favor: They are a highly nutritious food; they are a perfect complement to favorite Japanese foods and lend themselves to Japanese cooking methods; and they are low in cost.

Japan currently ranks third among the countries that buy U.S. dry peas. Only the United Kingdom and Germany buy more.

U.S. Cheese to Thailand

A first in dairy exporting—the initial shipment of made-in-USA Italian-type cheese to Thailand—was recorded recently when a 1,100-pound order was delivered to Bangkok. The seller was a Wisconsin cheese company; the buyer, a Bangkok importer and merchant.

The sale resulted directly from the work of a trade team sponsored by FAS and Dairy Society International, which visited Thailand and five other countries in 1965 to explore the potential in those markets for increased dairy product sales. At conferences and receptions arranged by the Agricultural Attache in each country the team met representatives of the local dairy industry, importers, wholesalers, and retailers.

The dairy team's 1965 visits have also resulted in additional shipments of U.S.-produced specialty cheese to Lebanon and Japan.

September U.S. Tobacco Exports Up

U.S. exports of unmanufactured tobacco in September 1966, at 64.5 million pounds (export weight), were 28 percent larger than the 50.4 million shipped out in September 1965. For the first 9 months of calendar 1966, exports totaled 341.1 million pounds, compared with 290.5 million last year—a rise of 17.4 percent. This year's value was $290 million compared with $233 million.

Exports of flue-cured in September 1966 totaled 49.4 million pounds—sharply above the 37.7 million for September 1965. Burley exports, however, were 4.4 million compared with 6.2 million last year. For the first 3 months of fiscal 1967, total exports of unmanufactured tobacco were 165.7 million pounds, compared with 119.1 million for the same period of fiscal 1966.

Exports of tobacco products in September 1966 were valued at $11.2 million, against $10.0 million last year. Cigarette exports, at 1,938 million pieces, were about the same as those of September 1965. For January-September 1966, total value of all tobacco product exports was $97.6 million, compared with $89.4 million for the first 9 months of 1965.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	September 1965	September 1966	January-September 1965	January-September 1966	Change from 1965
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	37,700	49,405	216,580	254,021	+ 17.3
Burley	6,173	4,366	32,271	34,656	+ 7.4
Dark-fired Ky.-Tenn.	1,213	1,567	10,678	12,333	+ 15.5
Va. Fire-cured[1]	1,392	1,392	4,727	4,517	— 4.4
Maryland	1,207	183	5,606	6,018	+ 7.3
Green River			469	457	— 2.6
One Sucker	131	20	264	119	— 54.9
Black Fat	463	402	2,593	2,756	+ 6.3
Cigar wrapper	280	451	3,105	3,659	+ 17.8
Cigar binder	58	167	2,066	1,733	— 16.1
Cigar filler	13	618	292	1,153	+294.9
Other	1,795	5,916	11,812	19,673	+ 66.6
Total	50,425	64,487	290,463	341,095	+ 17.4
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	
Declared value	42.5	58.8	233.0	290.0	+ 24.5

[1] Includes sun-cured.
Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

	September 1965	September 1966	January-September 1965	January-September 1966	Change from 1965
Cigars and cheroots					*Percent*
1,000 pieces	4,807	4,679	38,278	60,284	+57.5
Cigarettes					
Million pieces	1,948	1,938	17,141	17,918	+ 4.5
Chewing and snuff					
1,000 pounds	35	8	198	302	+52.5
Smoking tobacco in pkgs.					
1,000 pounds	89	85	696	733	+ 5.3
Smoking tobacco in bulk					
1,000 pounds	634	1,513	8,435	10,172	+20.6
Total declared value					
Million dollars	10.0	11.2	89.4	97.6	+ 9.2

Bureau of the Census.

Hamburg's Prices on Canned Fruits, Juices

Importers' selling prices, duty and tax paid, in Hamburg, West Germany, for lots of 50-100 boxes in October 1965, July 1966, and October 1966 are compared below:

Type and quality	Size of can	Price per dozen units: Oct. 1965	July 1966	Oct. 1966	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricots, halves:					
Fancy	2½	3.48	3.39	3.45	S. Africa
Choice	2½	3.42	3.30	3.36	S. Africa
Quality not specified	2½	4.80	4.80	4.80	U.S.
Do.	#1	....	....	3.21	Greece
Peaches, halves:					
Choice, heavy syrup	2½	4.05	....	3.81	U.S.
Choice, light syrup	#10	....	....	16.35	U.S.
Do.	2½	....	3.81	3.75	Australia
Choice	2½		3.63	3.60	S. Africa
Heavy syrup	2½	4.26	3.72	3.96	U.S.
Quality not specified	2½	....	....	3.66	Argentina
Pears:					
Choice	2½	....	3.87	3.78	Australia
Heavy syrup	2½	....	4.56	4.14	Italy
Quality not specified	2½	....	4.26	3.90	Argentina
Do.	#1 tall		3.03	3.00	U.S.
Do.	#1		3.27	3.27	Netherlands
Do.	½		....	2.16	China
Fruit cocktail:					
Choice, heavy syrup	2½	5.70	5.31	4.92	U.S.
Do.	2½	4.77	5.25	5.04	Argentina
Do.	#10	22.50	20.25	19.05	U.S.
Choice, light syrup	2½	....	4.98	4.86	U.S.
Two fruits[1]	2½	....	....	3.75	Australia
Fruit salad, quality not specified	2½	4.78	4.71	4.38	Spain
Sour cherries:					
Pitted	15 oz.	4.12	3.76	3.93	Canada
Do.	#10	19.45	....	25.05	U.S.
Pineapple:					
Whole slices:					
Fancy, 8 slices	2½	....	....	4.50	U.S.
Choice, 10 slices	2	....	....	3.30	U.S.
Choice, no sugar	2	....	....	4.02	U.S.
Choice	2½	....	....	4.54	U.S.
Quality not specified	2½	4.00	3.60	3.57	Formosa
Do.	2½	3.88	3.60	3.45	S. Africa
Do.	2½	4.35	3.54	3.51	Ivory Coast
Pieces:					
Fancy, extra heavy syrup	2½	....	4.35	4.26	Philippines
Choice	12 oz.	1.58	1.46	1.46	Malaya
Quality not specified	2½	....	....	2.91	China
Do.	2½	3.33	3.09	2.97	Philippines
Do.	2½	3.24	3.12	2.97	Ivory Coast
Crushed:					
Fancy	2½	....	4.38	4.38	U.S.
Quality not specified	#10	....	....	8.40	Ivory Coast
Do.	#10	9.93	12.60	9.45	Formosa
Do.	#10	9.33	9.03	8.73	S. Africa
CANNED JUICE					
Orange, unsweetened	43 oz.	....	3.88	3.75	Greece
Do.	#2	1.70	1.70	1.66	Greece
Do.	#2	....	1.66	1.64	Italy
Grapefruit, unsweetened	43 oz.		4.42	4.21	Israel
Do.	#2	1.92	1.93	1.82	Israel
Do.	#2	....	1.94	1.78	Trinidad
Do.	#2	2.70	2.19	2.19	U.S.

[1] Peaches and pears.

New Pineapple Marketing Corporation

Singapore's Ministry of Finance has approved the Malayan Pineapple Industry Board's creation of the Pine-

apple Industry Marketing Corporation (PIMC). The primary duty of the PIMC—which was established on July 1—will be to establish and maintain just and equitable principles of trade for the canned pineapple industry. Registered canners must sell through the PIMC at prices not lower than those fixed for various grades by the Corporation. This will affect exports of pineapples produced in Singapore and the Straits of Malaya.

The Malayan Pineapple Industry Board is a statutory body jointly established by the Governments of Singapore and Malaysia to implement parallel legislation agreed upon by the two countries.

Pineapple is Malaysia's sixth leading export commodity, and the industry is reportedly well organized under this Board's direction. Singapore's two canneries receive most of their fresh pineapple supplies from their own estates in Johore, Malaysia.

Fishmeal Production and Exports by FEO

Production of fishmeal by the six members of the Fishmeal Exporters' Organization (FEO) in January-August 1966 exceeded 1.8 million metric tons—264,700 tons above output in the corresponding 1965 period and a record for the 8-month period.

During these months exports of fishmeal by FEO countries, at less than 1.5 million tons, declined by 82,200 tons from the comparable January-August high in 1965.

Fishmeal production in FEO countries during the first 8 months of calendar 1966 exceeded exports by 367,200 tons, compared with a deficit of 6,700 tons in the same period of 1965.

Late reports from Peru indicate that earthquake and wave damage will have no significant effect on the fish reduction industry. Even in the hardest hit ports most plants are now back in production. About 4,000 tons of meal in stock at Casma was reported to have suffered water damage, and insurance claim payments are expected to total about $500,000.

The fish catch was very good in September, with meal production estimated to have exceeded 120,000 tons, as against only 17,100 in the same month of 1965. Stocks on October 1 were estimated at 296,700 tons, compared with 244,000 on September 1.

The fishmeal industry is said to be approaching another crisis because of the low world market price for fishmeal; heavy competition from soybeans, high protein corn, and synthetic acids; undercapitalization; and increasing costs of production.

FEO PRODUCTION AND EXPORTS OF FISHMEAL

	Production		Exports	
Country	1965	1966	1965	1966
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Angola	26.6	27.8	30.1	27.9
Chile	50.8	171.1	56.0	132.9
Iceland	85.2	100.2	80.5	98.7
Norway	232.8	327.5	147.5	155.7
Peru	893.0	969.6	1,076.1	945.3
South Africa	249.9	233.8	154.8	102.3
Total	1,538.3	1,830.0	1,545.0	1,462.8

[1] Does not include data for August 1966.
Fishmeal Exporters' Organization, Paris.

U.S. Exports of Soybeans and Products

Following a marketing year of record U.S. *soybean* exports at over 250 million bushels, exports in September of the new year were 5.5 million bushels, compared with 4.8 million in September 1965.

U.S. EXPORTS OF SOYBEANS AND PRODUCTS

Item and country of destination	Unit	September 1965[1]	September 1966[1]	September-August 1964-65[1]	September-August 1965-66[1]
SOYBEANS					
Japan	Mil. bu.	1.7	2.7	49.3	62.0
Netherlands	do.	.7	.1	28.1	33.5
Germany, West	do.	.4	.4	23.5	33.0
Canada	do.	.7	1.1	34.8	31.1
Spain	do.	.3	.4	7.6	17.5
Italy	do.	....	....	10.4	15.4
Others	do.	1.0	.8	58.5	58.1
Total	do.	4.8	5.5	212.2	250.6
Oil equivalent	Mil. lb.	53.1	60.6	2,329.7	2,751.5
Meal equivalent	1,000 tons	113.6	129.7	4,986.1	5,888.9
EDIBLE OILS		September 1965[1]	September 1966[1]	October-September 1964-65[1]	October-September 1965-66[1]
Soybean:[2]					
Pakistan	Mil. lb.	....	21.4	189.5	147.7
Iran	do.	.6	..	70.4	108.4
India	do.	14.5	41.9	130.5	62.8
Burma	do.		.	...	60.5
Yugoslavia	do.	32.3	.	34.6	40.4
Colombia	do.	.	.4	(3)	38.5
UAR (Egypt)	do.	.7	(3)	2.1	33.5
Others	do.	41.8	14.8	751.7	256.1
Total	do.	89.9	78.5	1,178.8	747.9
Foreign donations[4]	do.	25.3	10.0	[5] 160.9	174.7
Total soybean	do.	115.2	88.5	1,339.7	922.6
Cottonseed:[2]					
Germany, West	do.	.	..	144.2	49.9
Canada	do.	2.5	.2	43.4	39.7
UAR (Egypt)	do.	1.5	...	60.6	36.1
Venezuela	do.	3.2	1.5	29.2	31.0
Pakistan	do.	.	....	20.7	21.7
Mexico	do.	9.5	(3)	41.8	15.4
Morocco	do.	6.8	.	36.1	14.2
Others	do.	7.1	2.1	184.0	54.4
Total	do.	30.6	3.8	560.0	262.4
Foreign donations[4]	do.	.1	. .	[5] 79.1	1.5
Total cottonseed	do.	30.7	3.8	639.1	263.9
Total oils	do.	145.9	92.3	1,978.8	1,186.5
CAKES AND MEALS					
Soybean:					
Germany, West	1,000 tons	30.8	39.3	300.7	496.4
France	do.	14.4	18.5	358.4	436.3
Netherlands	do.	6.5	17.5	245.2	316.8
Canada	do.	17.0	27.0	249.4	234.0
Belgium	do.	9.8	16.1	177.0	156.2
Italy	do.	2.7	7.4	143.2	155.0
Denmark	do.	..	4.0	110.9	147.8
Spain	do.	8.6	.1	77.9	122.8
United Kingdom	do.	2.9	7.1	34.4	105.4
Yugoslavia	do.	..	.7	108.9	78.5
Others	do.	11.7	6.5	230.0	288.0
Total	do.	104.4	144.2	2,036.0	2,537.2
Cottonseed	do.	5.3	1.0	138.8	98.8
Linseed	do.	23.0	24.1	72.8	113.7
Total cakes and meals[6]	do.	133.0	171.3	2,272.8	2,787.9

Note: Countries indicated are ranked according to quantities taken in the current marketing year.

[1] Preliminary. [2] Includes Title I, II, III, and IV of P.L. 480, except soybean and cottonseed oils contained in shortening under Title II. Excludes estimates of Title II exports of soybean and cottonseed oil not reported by Census. [3] Less than 50,000 lb. [4] Title III P.L. 480. [5] October-December 1964 estimated by USDA; includes salad oil and oil in shortening. [6] Includes peanut cake and meal and small quantities of other cakes and meals.

Compiled from Census records and USDA estimates.

U.S. *edible oil* exports in September at 92.3 million pounds were substantially below those in the corresponding month last year. In the oil marketing year that ended on September 30, edible oil exports totaled just under 1.2 billion pounds, against 1964-65 record exports of nearly 2.0 billion pounds.

Cake and meal exports from the United States in September were 171,300 short tons, 38,300 tons above those of September 1965. Reflecting increased movements to West Germany, France, the Netherlands, Spain, and the United Kingdom, total cake and meal exports in the 1965-66 marketing year that ended on September 30 approached 2.8 million tons—a new record and more than 500,000 tons above those in 1964-65.

Argentine Flaxseed Prospects Uncertain

The third official estimate places seedings of Argentina's 1966-67 flaxseed at 2,466,000 acres, 30,000 acres above the second estimate but 23 percent below the area seeded last year. Low temperatures and lack of moisture, plus a strong interest in wheat as a substitute use of cropland, contributed to the reduced acreage.

Harvesting in the north was expected to start early in November. Prospects are uncertain, for the crop has been affected by drought. Growing conditions reportedly have improved in recent weeks, notably in Entre Rios Province. However, late frost is reported to have damaged blossoms in some areas, and precipitation has been lacking in others. Estimates of production currently range from 20 million to 24 million bushels, compared with last year's outturn of 22.4 million and the 1964 crop of 32.1 million.

Canadian Cotton Use Higher in September

According to the Canadian Textiles Institute, textile mills in Canada opened 40,931 bales (480 lb. net) of cotton in September. This compares with 30,188 bales opened in August and 46,422 bales in September 1965.

The reduced openings, in comparison with last season, are the result of a 5-month strike in some mills. The strike ended at the end of August, but full production levels were not attained until the last weeks of September.

UAR To Tender Aerial Spray Contract

The United Arab Republic (Egypt) reportedly will in the near future issue a tender for aerial spraying of 100,000 acres of the 1967 cotton crop.

Heretofore, aerial spraying of cotton in the UAR has been limited to a few demonstrations. The decision by Egyptian authorities to tender the large contract reportedly came after several impressive demonstrations by American and European firms. The exact terms of the tender have not as yet been announced, but it is expected that 2½ to 3 applications of insecticides during the season will be required, using the high-density, low-volume technique.

Sweden Lowers Butter Prices

For the second time this year the Swedish Dairy Board has reduced the price of surplus butter. Nearly 10 million pounds of cold-storage surplus butter was released on the home market during the first quarter of this year. The Board is now releasing an additional 9 million pounds at a discounted price of about 18 cents per pound below the fresh butter price—currently around 41½ cents per pound. Most of the cold-storage product will go directly to retailers.

Surplus stocks continued to rise although Swedish butter production declined 6 percent to 106 million pounds and exports doubled to a total of 10 million in the first 7 months of 1966. On September 1 stocks totaled 35 million pounds, up 10 and 60 percent compared with 1965 and 1964, respectively. Despite lower domestic prices during the first half of 1966 compared with prices of a year earlier, Swedish butter consumption fell by 3 percent to 81 million pounds. This continued the lower consumption trend of the preceding 2 years.

Irish Imports of U.S. Grain Up in 1965-66

Ireland imported record quantities of U.S. grains in 1965-66. Purchases of U.S. milling wheat, corn, and grain sorghum were up sharply during the year.

The increase in purchases of U.S. wheat were related to U.S. promotional work as well as the availability of quality wheats from other sources. An increase of 10 percent in Irish pig production was largely responsible for increased purchases of corn and grain sorghum. Approximately 80 percent of all feedgrains used in Ireland are used in swine production. Ireland's short barley crop last year also contributed to import demands. The feed deficit was met from imports of some EEC feed wheat along with U.S. grains.

Prospects for U.S. feedgrain sales to Ireland during the current 1966-67 marketing year are not as bright as last year because Irish hog numbers are down sharply and may not recover before early 1967, and Ireland harvested a better crop of barley than last year.

U.S. GRAIN EXPORTS TO IRELAND

	1964-65	1965-66
	1,000 metric tons	*1,000 metric tons*
Wheat	21.3	35.6
Corn	86.9	120.2
Grain sorghum	13.3	53.1

WORLD CROPS AND MARKETS INDEX

Cotton

Dairy and Poultry Products

Fats, Oilseeds, and Oils

Fruits, Vegetables, and Nuts

Grains, Feeds, Pulses, and Seeds

Tobacco

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Spain's Farm Output Improves, But Imports Still Rising

After 2 consecutive years of poor crops, Spain appears likely to have a good agricultural year—largely the result of favorable weather conditions and higher support prices for feedgrains. Through the first half of 1966, however, agricultural imports were still rising, with the sharpest gains in those from the United States.

Most of the basic crops—grains and feeds, sugarbeets, cotton, olive oil, wine, and citrus fruits—are expected to be well above the 1965-66 level. Preliminary forecasts for 1966-67 show increases of about 2 percent for wheat and 17 percent for barley—the two major grains; production of corn and oats has also risen. Olive oil, of which Spain is the world's leading producer, will be in abundant supply, up to an estimated 460,000 metric tons from 315,000 in 1965. The citrus crop of 1966-67 is estimated at 2.5 million metric tons, nearly one-fourth over the large production in the previous season and the largest citrus crop on record.

Farm mechanization also seems to have entered a phase of expansion. The number of tractors registered in the first 6 months of 1966, at 12,719 units, is nearly 52 percent above the number registered in the same period of 1965. Less spectacular but nonetheless important is the 11-percent rise in the number of combines registered. Use of fertilizer showed only a small gain—from 382,200 metric tons of fertilizing elements in January-June 1965 to 385,300 in the same period of 1966.

In spite of better domestic crops, Spain will continue to rely on sizable imports of animal products, feedstuffs (mainly corn, barley, and sorghums), soybeans and other oilseeds for crushing, tallow, and cotton. Prospects for a rather large crop of olive oil in 1966, and for large carryover stocks, are likely to reduce to a minimum imports of seed oils in the next season. And the large wheat crop harvested this summer—coupled with record carryover stocks at the end of 1965-66—makes wheat imports unlikely for the next 12 months; a possible exception here is the usual 100,000 metric tons needed for the Canary Islands.

It is expected that the competitive position of the United States as a supplier will continue to improve. Through the first half of 1966, the United States accounted for nearly 41 percent of Spain's agricultural imports compared with 35 percent in the same period of 1965. U.S. farm exports to Spain during the first half totaled $125 million, well above those in the 1965 period; exports of corn accounted for about half the total; soybeans, for one-fourth.

While expanded production will no doubt improve the situation of the Spanish farmers and higher imports will help alleviate the shortage of foodstuffs, these are but temporary remedies to the many problems of Spanish agriculture. Basically, this agriculture suffers from a chronic shortage of capital resources, a defective farm structure (units that are either too small or too large), and stagnation of production of "higher income food" contrasted with surpluses of rice, wine, citrus, and poor-quality cotton.

—Based on a dispatch from DOUGLAS M. CRAWFORD
U.S. Agricultural Attaché, Madrid

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